



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
PERRY COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELE. (502) 564-5841  
FAX (502) 564-2912**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE PERRY COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

The Auditor of Public Accounts has completed the Perry County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances increased by \$956,127 from the prior fiscal year, resulting in a cash surplus of \$1,802,011 as of June 30, 2001. Revenues increased by \$1,832,463 from the prior year and disbursements increased by \$881,794.

#### **Debt Obligations:**

Total long-term debt principal as of June 30, 2001, was \$9,465,000. Future collections of \$12,281,890 are needed over the next seventeen years to pay all bonded debt principal and interest.

#### **Report Comments:**

- Internal Control Procedures Over Purchases Should Be Improved
- The Fiscal Court Should Annually Review The Administrative Code
- The County Should Have An Inventory Control Ledger
- The Quarterly Financial Status Report Should Include All Funds
- The Jailer Should Maintain Financial Records For The Jail Canteen Account
- The County Should Have Required Depository Institutions To Pledge Or Provide Sufficient Collateral of \$514,239 And Should Have Entered Into A Written Agreement To Protect Deposits

#### **Deposits:**

The fiscal court's deposits were not properly secured and the court did not have a written security agreement with all institutions.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Denny R. Noble, Perry County Judge/Executive  
Members of the Perry County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Perry County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Perry County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Perry County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001, of Perry County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Denny R. Noble, Perry County Judge/Executive  
Members of the Perry County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2001, on our consideration of Perry County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Perry County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance:

- Internal Control Procedures Over Purchases Should Be Improved
- The Fiscal Court Should Annually Review The Administrative Code
- The County Should Have An Inventory Control Ledger
- The Quarterly Financial Status Report Should Include All Funds
- The Jailer Should Maintain Financial Records For The Jail Canteen Account
- The County Should Have Required Depository Institutions To Pledge Or Provide Sufficient Collateral of \$514,239 And Should Have Entered Into A Written Agreement To Protect Deposits

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
December 3, 2001



PERRY COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

**Fiscal Court Members:**

Denny Ray Noble	County Judge/Executive
Adam J. Hamblin	Magistrate
Gary W. Baker	Magistrate
Johnny Blair	Magistrate

**Other Elected Officials:**

Lanny Combs	County Attorney
McClee Feltner	Jailer
Haven King	County Clerk
Roger D. Collins	Circuit Court Clerk
John L. Burgett	Sheriff
John Frank Gross	Property Valuation Administrator
Jimmy Maggard	Coroner

**Appointed Personnel:**

Velma K. Spicer	County Treasurer
Cecilia Ritchie	Finance Officer



STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS



PERRY COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash \$ 313,701

Road and Bridge Fund:

Cash 179,289

Jail Fund:

Cash 14,899

Local Government Economic Assistance Fund:

Cash 535,217

Retirement Account - Cash 3 \$ 1,043,109

Special Revenue Fund Type

E-911 Fund:

Cash \$ 34,614

Forestry Fund:

Cash 6,643

Community Development Block Grant Buckhorn Water Project Fund:

Cash 4,606

Local Government Economic Development Fund:

Notes Receivable (Note 4A) 600,000

Notes Receivable (Note 4B) 600,000

Area Development Fund:

Cash 6

FEMA Fund:

Cash 1,531

Coal Severance Fund:

Cash 627,636

Perry County Emergency Planning Committee Fee Fund:

Cash 1,155 \$ 1,876,191

Capital Projects Fund Type

Jail Construction Fund:

Cash 2,564,185

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Assets and Other Resources (Continued)

Assets (Continued)

Capital Projects Fund Type (Continued)

Judicial Center Construction Fund:

Cash		\$ 1,134,836
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Debt Service Fund Type

Public Properties Corporation Fund:

Cash	\$ 146,878	
Notes Receivable (Note 4C)	3,505,070	

KREDA Fund:

Cash	82,714	3,734,662
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Total Assets		\$ 10,352,983
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Other Resources

General Fund Type

General Fund:

Amounts to be Provide In Future Years for Kentucky Association  
 of Counties Capital Lease Obligations - Principal Payments:

Voting Machines (Note 6A)	\$ 76,000	
Ambulance (Note 6B)	22,000	
Ambulance (Note 6C)	13,785	
GMC Trucks (Note 6D)	59,991	171,776

Capital Projects Fund Type

Jail Construction Fund:

Amounts to be Provided in Future Years for Note Payments (Note 5B)	3,485,815
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Judicial Center Construction Fund:

Amounts to be Provided in Future Years for Note Payments (Note 5C)	1,101,164
--	-----------

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Assets and Other Resources (Continued)

Other Resources (Continued)

Debt Service Fund Type

Public Properties Corporation Fund:

Amounts to be Provided in Future Years for Bond Payments (Note 5A)	\$ 1,018,122
--	--------------

KREDA Fund:

Amounts to be Provided in Future Years for Kentucky Area

Development District Financing Trust:

Lease Principal Payments (Note 6E)	1,745,000
------------------------------------	-----------

Total Assets and Other Resources	<u>\$ 17,874,860</u>
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Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund:

Capital Lease Obligations - Principal Payments:

Voting Machines (Note 6A)	\$ 76,000
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Ambulance (Note 6B)	22,000
---------------------	--------

Ambulance (Note 6C)	13,785
---------------------	--------

GMC Trucks (Note 6D)	59,991
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Retirement Account-Cash	<u>3</u>	\$ 171,779
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Special Revenue Fund Type

Local Government Economic Development Fund:

Deferred Revenue (Note 4A)	\$ 600,000
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Deferred Revenue (Note 4B)	<u>600,000</u>	1,200,000
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The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS  
June 30, 2001  
(Continued)

Liabilities and Fund Balances (Continued)

Liabilities (Continued)

Capital Projects Fund Type

Jail Construction Fund:

Note Payable (Note 5B 1)	\$ 2,000,000	
Note Payable (Note 5B 2)	2,000,000	
Note Payable (Note 5B 3)	<u>2,050,000</u>	\$ 6,050,000

Judicial Center Construction Fund:

Note Payable (Note 5C)		2,236,000
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Debt Service Fund Type

Public Properties Corporation Fund:

Bonds Not Matured (Note 5A)	\$ 1,165,000	
Deferred Revenue (Note 4C)	<u>3,505,070</u>	4,670,070

KREDA Fund:

Capital Lease Obligations - Principal Payments:		
Kentucky Area Development District Financing Trust (Note 6E)		1,745,000

Fund Balances

Reserved:

Special Revenue Fund Type

E-911 Fund	\$ 34,614	
Forestry Fund	6,643	
Community Development Block Grant Buckhorn Water Project Fund	4,606	
Area Development Fund	6	
FEMA Fund	1,531	
Coal Severance	627,636	
Perry County Emergency Planning Committee Fee Fund	<u>1,155</u>	676,191

Debt Service Fund Type

KREDA Fund		82,714
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The accompanying notes are an integral part of the financial statements.



PERRY COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS  
June 30, 2001  
(Continued)

Fund Balances (Continued)

Unreserved:

General Fund Type

General Fund	\$	313,701	
Road and Bridge Fund		179,289	
Jail Fund		14,899	
Local Government Economic Assistance Fund		<u>535,217</u>	<u>\$ 1,043,106</u>
Total Liabilities and Fund Balances			<u>\$ 17,874,860</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

PERRY COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 7,164,992	\$ 1,780,081	\$ 1,367,352	\$ 237,038
Other Financing Sources:				
Bond Proceeds	2,236,000			
Interest on Note Proceeds	270,771			
Transfers In	864,475	96,121		376,717
Total Cash Receipts	<u>\$ 10,536,238</u>	<u>\$ 1,876,202</u>	<u>\$ 1,367,352</u>	<u>\$ 613,755</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 5,670,350	\$ 1,470,794	\$ 1,261,618	\$ 616,145
Other Financing Uses:				
Bonds:				
Principal Paid	345,000			
Interest Paid	46,637			
Transfers Out	864,475	300,000	92,850	
Jail Construction Fund Expenditures	3,730,876			
Judicial Center Construction Fund	1,126,874			
Total Cash Disbursements	<u>\$ 11,784,212</u>	<u>\$ 1,770,794</u>	<u>\$ 1,354,468</u>	<u>\$ 616,145</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (1,247,974)	\$ 105,408	\$ 12,884	\$ (2,390)
Cash Balance - July 1, 2000	<u>6,895,884</u>	<u>208,293</u>	<u>166,405</u>	<u>17,289</u>
Cash Balance - June 30, 2001	<u>\$ 5,647,910</u>	<u>\$ 313,701</u>	<u>\$ 179,289</u>	<u>\$ 14,899</u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
Fiscal Year Ended June 30, 2001  
(Continued)

General Fund Type	Special Revenue Fund Type				
Local Government Economic Assistance Fund	E-911 Fund	Forestry Fund	Community Development Block Grant Buckhorn Water Project Fund	Area Development Fund	FEMA Fund
\$ 2,013,947	\$ 347,346	\$ 7,221	\$	\$ 39,950	\$
\$ 2,013,947	\$ 347,346	\$ 7,221	\$	\$ 39,950	\$
\$ 1,180,176	\$ 363,363	\$ 3,554	\$	\$ 39,950	\$
468,354		3,271			
\$ 1,648,530	\$ 363,363	\$ 6,825	\$ 0	\$ 39,950	\$ 0
\$ 365,417	\$ (16,017)	\$ 396	\$	\$	\$
169,800	50,631	6,247	4,606	6	1,531
\$ 535,217	\$ 34,614	\$ 6,643	\$ 4,606	\$ 6	\$ 1,531

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2001  
 (Continued)

	<u>Special Revenue Fund Type</u>		<u>Capital Projects Fund Type</u>	
	Coal Severance Fund	Perry County Emergency Planning Committee Fee Fund	Jail Construction Fund	Judicial Center Construction Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,198,723	\$ 1,155	\$	\$
Other Financing Sources:				
Bond Proceeds				2,236,000
Interest on Note Proceeds			245,061	25,710
Transfers In				
Total Cash Receipts	<u>\$ 1,198,723</u>	<u>\$ 1,155</u>	<u>\$ 245,061</u>	<u>\$ 2,261,710</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 571,087		\$	\$
Other Financing Uses:				
Bonds:				
Principal Paid				
Interest Paid				
Transfers Out				
Jail Construction Fund Expenditures			3,730,876	
Judicial Center Construction Fund				1,126,874
Total Cash Disbursements	<u>\$ 571,087</u>	<u>\$ 0</u>	<u>\$ 3,730,876</u>	<u>\$ 1,126,874</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 627,636	\$ 1,155	\$ (3,485,815)	\$ 1,134,836
Cash Balance - July 1, 2000			<u>\$ 6,050,000</u>	
Cash Balance - June 30, 2001	<u>\$ 627,636</u>	<u>\$ 1,155</u>	<u>\$ 2,564,185</u>	<u>\$ 1,134,836</u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2001  
 (Continued)

<u>Debt Service Fund Type</u>	
Public Properties Corporation Fund	KREDA Fund
\$ 7,806	\$ 164,373
391,637	
<u>\$ 399,443</u>	<u>\$ 164,373</u>
\$	\$ 163,663
345,000	
46,637	
<u>\$ 391,637</u>	<u>\$ 163,663</u>
\$ 7,806	\$ 710
139,072	82,004
<u>\$ 146,878</u>	<u>\$ 82,714</u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Perry County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the Perry County Public Properties Corporation and the Perry County Judicial Center Corporation as part of the reporting entity.

The Perry County Public Properties Corporation and the Perry County Judicial Center Corporation are legally separate entities established to provide long-term debt service for the Fiscal Court. The Corporations' governing bodies consist entirely of Fiscal Court members. Therefore, management must include the Corporations as component units, and the Corporations' financial activities are blended with that of the Fiscal Court.

Additional - Perry County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Perry County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Perry County Fiscal Court's Fund Types, a definition of each and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Perry County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund (LGEA).



PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The E-911 Fund, Forestry Fund, Community Development Block Grant Buckhorn Water Project Fund, Area Development Fund, FEMA Fund, Coal Severance Fund, and Perry County Emergency Planning Committee Fee Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Public Properties Corporation Fund and KREDA Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Capital Projects Fund Type

Capital Projects Funds Type accounts for financial resources to be used for acquisition of major capital facilities. The Jail Construction Fund and Judicial Center Construction Fund are reported as Capital Projects Fund Types.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Perry County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Note 1. D. Legal Compliance - Budget (Continued)

Formal budgets are not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. Furthermore, formal budgets are not adopted for the Jail Construction Fund and the Judicial Center Construction Fund. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report.

PERRY COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2001  
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 2001, \$46,878 of the bank balances at Fifth Third Bank were not fully insured or collateralized with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bonds which named the county as beneficiary/obligee on the bonds. In addition, the county did not have a written agreement with the Fifth Third Bank providing for a pledge of collateral. Also, as of August 31, 2000, the FDIC insurance at Citizens National Bank did not equal or exceed the amount on deposit, leaving \$514,239 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2001.

	<u>Bank Balance</u>
Insured by FDIC	\$ 100,000
Uncollateralized and uninsured	<u>46,878</u>
Total	<u>\$ 146,878</u>

Note 4. Receivables

A. Economic Development Bond Grant Receivable

The county loaned \$1,000,000 to Trus Joist MacMillian on December 30, 1996, for the purpose of reimbursing the cost acquisition and offsite development of a manufacturing facility. Terms of the agreement stipulate a ten-year repayment schedule with a zero percent interest rate. The agreement provides that ten percent of the loan, or \$100,000, shall be forgiven on December 30 of each year as long as the company maintains the appropriate level of job requirements. Trus Joist MacMillian is in substantial compliance with the terms of the agreement and \$100,000 of the loan was forgiven during the fiscal year ended June 30, 2001. As of June 30, 2001, the principal balance due was \$600,000.

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 4. Receivables (Continued)

B. Multi-County Economic Development Bond Grant Receivable

The county loaned another \$1,000,000 to Trus Joist MacMillian on December 30, 1996, for the purpose of reimbursing the cost acquisition and offsite development of a manufacturing facility. Terms of the agreement stipulate a ten-year repayment schedule with a zero percent interest rate. The agreement provides that ten percent of the loan, or \$100,000, shall be forgiven on December 30 of each year as long as the company maintains the appropriate level of job requirements. Trus Joist MacMillian is in substantial compliance with the terms of the agreement and \$100,000 of the loan was forgiven during the fiscal year ended June 30, 2001. As of June 30, 2001, the principal balance due was \$600,000.

C. Cintas Sales Corporation Receivable

The county loaned \$3,997,000 to Cintas Sales Corporation on March 2, 1994, for the purpose of constructing a manufacturing facility. Terms of the agreement stipulate a 25-year repayment schedule at an eight-percent interest rate. Cintas Sales Corporation is in substantial compliance with terms of the agreement. As of June 30, 2001, the principal balance due was \$3,505,070.

Note 5. Long-Term Debt

A. Public Properties Refunding and Improvement Bond

On September 1, 1993, the Perry County Public Properties Corporation issued a public project refunding and improvement bond. Principal is payable annually on March 1 and interest is payable semiannually on March 1 and September 1. The following represents bond debt service requirements:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2002	\$ 65,531	\$ 365,000
June 30, 2003	45,000	390,000
June 30, 2004	23,063	410,000
Totals	<u>\$ 133,594</u>	<u>\$ 1,165,000</u>

B. Perry County Detention Center Notes

On June 15, 2000, the Fiscal Court issued a total of \$6,050,000 in General Obligation Public Purpose Bond Anticipated Notes Series 2000 A, B, and C for the construction of the Perry County Detention Center. These notes are detailed below. The series of notes were combined into one note for the construction of the Perry County Detention Center and all expenditures are disbursed from this note. The balance as of June 30, 2001, is \$2,564,185. During the fiscal year, the Perry County Detention Center had receipts of \$245,061 and disbursements of \$3,597,331.

PERRY COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2001  
 (Continued)

Note 5. Long-Term Debt (Continued)

B. Perry County Detention Center Notes (Continued)

1) Note Series 2000 A

On June 15, 2000, the Fiscal Court issued a \$2,000,000 General Obligation Public Purpose Bond Anticipated Note Series 2000 A for the construction of the Perry County Detention Center. Principal is payable annually on November 1 and interest is payable on May 1 and November 1. The following represents the debt service requirements:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2002	\$ 130,000	\$
June 30, 2003	130,000	2,000,000
Totals	<u>\$ 260,000</u>	<u>\$ 2,000,000</u>

2) Note Series 2000 B

On June 15, 2000, the Fiscal Court issued a \$2,000,000 General Obligation Public Purpose Bond Anticipated Note Series 2000 B for the construction of the Perry County Detention Center. Principal is payable annually on November 1 and interest is payable on May 1 and November 1. The following represents the debt service requirements:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2002	\$ 130,000	\$
June 30, 2003	130,000	
June 30, 2004	130,000	2,000,000
Totals	<u>\$ 390,000</u>	<u>\$ 2,000,000</u>

3) Notes Series 2000 C

On June 15, 2000, the Fiscal Court issued a \$2,050,000 General Obligation Public Purpose Bond Anticipated Note Series 2000 C for the construction of the Perry County Detention Center. Principal is payable annually on November 1 and interest is payable on May 1 and November 1. The following represents the debt service requirements:

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 5. Long-Term Debt (Continued)

B. Perry County Detention Center Notes (Continued)

3) Notes Series 2000 C (Continued)

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2002	\$ 133,250	\$
June 30, 2003	133,250	
June 30, 2004	133,250	
June 30, 2005	<u>133,250</u>	<u>2,050,000</u>
Totals	<u>\$ 533,000</u>	<u>\$ 2,050,000</u>

C. Perry County Judicial Center Bond

On July 1, 2000, the Perry County Judicial Center Corporation issued bonds in order to construct the Perry County Judicial Center. On the same day, the Perry County Judicial Center Corporation, Administrative Office of the Courts (AOC), and the county entered into a lease agreement for the purpose of obtaining office rental space for the AOC at the Judicial Center.

The Perry County Judicial Center Corporation and the Kentucky Area Development Districts Financing Trust are acting as agents for the AOC in order to plan, design, construct, manage and maintain the Judicial Building. The Perry County Judicial Center Corporation and the Kentucky Area Development Districts Financing Trust expect annual rentals for use of the Judicial Building to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the lease, the AOC has agreed to pay directly to the paying agent bank the use allowances payment as provided in the lease. The lease agreement is renewable each year. The Perry County Judicial Center Corporation and the Kentucky Area Development Districts Financing Trust are in reliance on the use allowance payment in order to meet the debt service for the bonds.

The use allowance payment commences with occupancy of the Judicial Building by the AOC. The AOC with the execution of the lease has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until June 1, 2023, but the lease does not legally obligate the AOC to do so. The following represents debt service requirements:

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 5. Long Term Debt (Continued)

C. Perry County Judicial Center Bond (Continued)

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2002	\$ 118,057	\$
June 30, 2003	118,057	70,000
June 30, 2004	114,907	70,000
June 30, 2005	111,687	75,000
June 30, 2006	108,237	80,000
Thereafter	<u>1,076,229</u>	1,955,000
Totals	<u>1,647,174</u>	<u>2,250,000</u>

Note 6. Lease Agreements

- A) The county entered into a lease agreement with the Kentucky Association of Counties for the purchase of voting machines on December 22, 1994. Terms of the agreement stipulate a ten-year repayment schedule with variable monthly interest payments and variable annual principal payments. The following represents lease debt service requirements:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2002	\$ 4,622	\$ 24,000
June 30, 2003	2,912	25,000
June 30, 2004	<u>1,103</u>	<u>27,000</u>
Totals	<u>\$ 8,637</u>	<u>\$ 76,000</u>

- B) The county entered into a lease agreement with Kentucky Association of Counties for the purchase of ambulances on January 13, 1997. Terms of the agreement stipulate a five-year repayment schedule. The following represents lease debt service requirements:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2002	<u>\$ 747</u>	<u>\$ 22,000</u>
Totals	<u>\$ 747</u>	<u>\$ 22,000</u>

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 6. Lease Agreements (Continued)

- C) On November 7, 2000, the county entered into a lease agreement with Kentucky Association of Counties for the purchase of an ambulance. During fiscal year 2001, the fiscal court made a lump sum payment of \$26,240. This lease will mature during the next fiscal year. The following represents lease debt service requirements for the next fiscal year:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2002	\$ 286	\$ 13,785
Totals	<u>\$ 286</u>	<u>\$ 13,785</u>

- D) On June 13, 2000, the county entered into a lease agreement with Kentucky Association of Counties for the purchase of three GMC trucks. Terms of the lease agreement stipulate a 5-year repayment schedule with semiannual interest payments and annual principal payments. The following represents lease debt service requirements:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2002	\$ 2,438	\$ 19,057
June 30, 2003	1,513	19,982
June 30, 2004	542	20,952
Totals	<u>\$ 4,493</u>	<u>\$ 59,991</u>

- E) On May 14, 1998, the county entered into a lease agreement with the Kentucky Area Development District Financing Trust for the purpose of refinancing a bank note. Terms of the lease agreement stipulate a 20-year repayment schedule with semiannual interest payments and annual principal payments. The following represents lease debt service requirements:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2002	\$ 95,640	\$ 65,000
June 30, 2003	92,618	70,000
June 30, 2004	89,363	70,000
June 30, 2005	85,257	75,000
June 30, 2006	81,395	80,000
Amount Thereafter	566,536	1,385,000
Totals	<u>\$ 1,010,809</u>	<u>\$ 1,745,000</u>



PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 7. Commitments and Contingencies

There are several cases pending against the Perry County Fiscal Court. No accrual has been made because the outcome and amount could not be reasonably determined.

Note 8. Insurance

For the fiscal year ended June 30, 2001, Perry County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Landfill Closure and Post-Closure Costs

KAR 48:310 Section 2 and 3 requires the owner or operator of a landfill to have a detailed written estimate, in current dollars, of the cost of hiring a third party to close the solid waste disposal site and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan. The Perry County Landfill closure plan currently calls for six phases.

Perry County must comply with established state and federal landfill closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure. Estimated closure costs total \$3,000,000, and estimated post closure care costs total \$8,423 per year for 30 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Since the financial statements are prepared on a modified cash basis of accounting and in accordance with the laws of Kentucky, no liability has been recognized for closure or post closure costs.

The fiscal court is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The fiscal court currently has made no payments or provisions for this.

Note 10. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The Perry County Jail Canteen Fund had income of \$739, less cost of goods sold of \$698, plus a beginning balance of \$299, leaving net income at \$340 as of June 30, 2001. All profit expenditures were for the benefit and/or recreation of the inmates.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



PERRY COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 2,311,614	\$ 1,780,081	\$ (531,533)
Road and Bridge Fund	1,341,382	1,367,352	25,970
Jail Fund	607,534	237,038	(370,496)
Local Government Economic Assistance Fund	1,628,205	2,013,947	385,742
<u>Special Revenue Fund Type</u>			
E-911 Fund	374,632	347,346	(27,286)
Forestry Fund	6,000	7,221	1,221
Area Development Fund	64,950	39,950	(25,000)
Coal Severance Fund	2,543,000	1,198,723	(1,344,277)
Community Development Block Grant Willard, Krypton, Typo Water Project Fund	941,000		(941,000)
Emergency Planning Committee Fee Fund		1,155	1,155
<u>Debt Service Fund Type</u>			
Local Government Economic Development Multi County Fund	500,000		(500,000)
Public Properties Corporation Fund		7,806	7,806
KREDA Fund	163,663	164,373	710
Totals	<u>\$ 10,481,980</u>	<u>\$ 7,164,992</u>	<u>\$ (3,316,988)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 10,481,980
Add: Budgeted Prior Year Surplus			<u>140,000</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 10,621,980</u>

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SCHEDULE OF OPERATING REVENUE





PERRY COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

	<u>GOVERNMENTAL FUND TYPES</u>			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
REVENUE:				
Taxes	\$ 1,514,161	\$ 1,220,324	\$ 293,837	\$
In Lieu Tax Payments				
Excess Fees	108,896	108,896		
License and Permits	237,590	236,435	1,155	
Intergovernmental Revenues	4,387,041	3,093,403	1,290,540	3,098
Charges for Services	259,085	259,085		
Miscellaneous Revenues	605,416	443,455	857	161,104
Interest Earned	52,803	36,820	8,006	7,977
Total Operating Revenue	<u>\$ 7,164,992</u>	<u>\$ 5,398,418</u>	<u>\$ 1,594,395</u>	<u>\$ 172,179</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



PERRY COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 934,472	\$ 858,426	\$ 76,046
Protection to Persons and Property	748,072	699,827	48,245
General Health and Sanitation	155,980	131,382	24,598
Social Services	145,408	137,970	7,438
Recreation and Culture	865,532	164,995	700,537
Roads	1,219,110	1,169,961	49,149
Other Transportation Facilities and Services	386,866	379,644	7,222
Debt Service	452,231	59,793	392,438
Capital Projects	18,302	18,301	1
Administration	1,197,762	908,434	289,328
Total Operating Budget - General Fund Type	\$ 6,123,735	\$ 4,528,733	\$ 1,595,002
Other Financing Uses:			
Transfers to Public Property Corporation Fund	429,851	429,851	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 6,553,586</u>	<u>\$ 4,958,584</u>	<u>\$ 1,595,002</u>

PERRY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 2001 (Continued)

SPECIAL REVENUE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 468,000	\$ 391,443	\$ 76,557
Protection to Persons and Property	638,870	288,554	350,316
General Health and Sanitation	3,080,950	118,664	2,962,286
Social Services	65,000	60,000	5,000
Recreation and Culture	50,000	50,000	
Capital Projects		39,950	(39,950)
Administration	31,762	29,343	2,419
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 4,334,582</u>	<u>\$ 977,954</u>	<u>\$ 3,356,628</u>

DEBT SERVICE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Debt Service	\$ 163,663	\$ 163,663	
TOTAL BUDGET - DEBT SERVICE FUND TYPE	<u>\$ 163,663</u>	<u>\$ 163,663</u>	

SCHEDULE OF JAIL CONSTRUCTION FUND EXPENDITURES





PERRY COUNTY  
SCHEDULE OF JAIL CONSTRUCTION FUND EXPENDITURES

Fiscal Year Ended June 30, 2001

Architects Fees	\$ 22,265
Construction Costs	2,739,598
Insurance	4,800
Processing Fees	69,525
Reimbursement to Fiscal Court	64,020
Repayment of Loan	<u>830,668</u>
Total	<u><u>\$ 3,730,876</u></u>

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SCHEDULE OF JUDICIAL CENTER CONSTRUCTION FUND EXPENDITURES



PERRY COUNTY  
SCHEDULE OF JUDICIAL CENTER CONSTRUCTION FUND EXPENDITURES

Fiscal Year Ended June 30, 2001

Fees and Administration Costs	\$ 9,717
Architects and Engineers	46,379
Interest Payments	50,582
Real Estate Purchase	1,015,196
Construction	<u>5,000</u>
Totals	<u><u>\$ 1,126,874</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Denny R. Noble, Perry County Judge/Executive  
Members of the Perry County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Perry County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated December 3, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Perry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Quarterly Financial Status Report Should Include All Funds
- The Jailer Should Maintain Financial Records For The Jail Canteen Account
- The County Should Have Required Depository Institutions To Pledge Or Provide Sufficient Collateral of \$514,239 And Should Have Entered Into A Written Agreement To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perry County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Perry County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations.

- Internal Control Procedures Over Purchases Should Be Improved
- The Fiscal Court Should Annually Review The Administrative Code
- The County Should Have An Inventory Control Ledger

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
December 3, 2001

## COMMENTS AND RECOMMENDATIONS



PERRY COUNTY  
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2001

REPORTABLE CONDITIONS

1. Internal Control Procedures Over Purchases Should Be Improved

Internal controls over purchases are significantly deficient and cannot be relied upon. We noted the following deficiency related to the county's purchasing procedures.

- There were no written procedures relating to purchases

We recommend the fiscal court obtain written procedures over purchases.

*County Judge/Executive Denny Ray Noble's Response:*

*They will try to fix this.*

2. The Fiscal Court Should Annually Review The Administrative Code

The fiscal court adopted an administrative code on December 19, 1978, as required by KRS 68.005. However, we found no indication in the fiscal court order book that the administrative code has been reviewed annually. In addition, the administrative code did not contain the minimum standards as required by KRS 68.005. The county's administrative code did not address the following requirements:

- County purchasing and award of contracts
- Delivery of county services

KRS 68.005 also states the fiscal court shall review the county administrative code annually during the month of June and may by a two-thirds majority of the entire fiscal court amend the county administrative code on an annual basis.

We recommend that the county review the administrative code annually as required by KRS 68.005. Furthermore, we recommend that the review of the administrative code be documented in the fiscal court order book. As evidence of the fiscal court approval, we recommend that a complete copy of the administrative code be recorded in the fiscal court order book.

*County Judge/Executive Denny Ray Noble's Response:*

*As soon as DLG can help with this, we will be glad to do this.*

PERRY COUNTY  
COMMENTS AND RECOMMENDATIONS  
June 30, 2001  
(Continued)

REPORTABLE CONDITIONS (Continued)

3. The County Should Have An Inventory Control Ledger

The county has failed to maintain an inventory control ledger of fixed assets. As a result, there is no record of inventory on a current basis. The absence of an accurate inventory control system could also result in financial loss and potential liability to the county. We recommend an adequate inventory system be initiated and maintained by the county.

*County Judge/Executive Denny Ray Noble's Response:*

*They will try to fix this.*

NONCOMPLIANCES

1. The Quarterly Financial Status Report Should Include All Funds

The quarterly financial status report did not include information in regards to the Community Development Block Grant Buckhorn Water Project Fund. This resulted in an incomplete reflection of the fiscal court's financial condition as of June 30, 2001. We recommend all county funds be included in the quarterly financial status reports in the future.

*County Judge/Executive Denny Ray Noble's Response:*

*This has been corrected.*

2. The Jailer Should Maintain Financial Records For The Jail Canteen Account

During the audit, we found the jailer does not maintain a receipts and disbursements ledger and daily checkout sheets for the jail canteen account. KRS 441.135 states the Jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account. We recommend the jailer comply with KRS 441.135 by maintaining a receipts and disbursements ledger and daily checkout sheet for the jail canteen account.

*County Judge/Executive Denny Ray Noble's Response:*

*They are ready to open the new jail and the new administrator will fix this.*

PERRY COUNTY  
 COMMENTS AND RECOMMENDATIONS  
 June 30, 2001  
 (Continued)

NONCOMPLIANCES (Continued)

3. The County Should Have Required Depository Institutions To Pledge Or Provide Sufficient Collateral Of \$514,239 And Should Have Entered Into A Written Agreement To Protect Deposits
- 

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 2001, \$46,878 of the bank balances at Fifth Third Bank were not fully insured or collateralized with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bonds which named the county as beneficiary/obligee on the bonds. In addition, the county did not have a written agreement with Fifth Third Bank providing for a pledge of collateral. Also, as of August 31, 2000, the FDIC insurance at Citizens National Bank did not equal or exceed the amount on deposit, leaving \$514,239 of public funds uninsured and unsecured.

*County Judge/Executive Denny Ray Noble's Response:*

*They will try to correct this.*

PRIOR YEAR FINDINGS

- Internal Control Over Purchases Should Be Improved
- The Fiscal Court Should Annually Review the Administrative Code
- The County Should Have An Inventory Control Ledger
- The Quarterly Financial Status Report Should Include All Funds
- The Jailer Should Maintain Records For the Jail Canteen Account
- The County Should Have Required Depository Institutions To Pledge Or Provide Sufficient Collateral of \$84,406 And Should Have Entered Into a Written Agreement To Protect Deposits

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

PERRY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

Appendix A



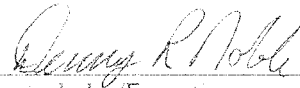
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

PERRY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Perry County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer